Enablers of Successful Fiscal Decentralisation

A Case Study of Three Gram Panchayats in Kerala

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Kerala is among the few states that have a successful record in fiscal decentralisation. This study qualitatively analyses primary data from three gram panchayats in Kerala to identify the factors that enable successful decentralised fiscal governance through panchayati raj. Based on the findings of the study, we have constructed a framework to assess the readiness of gram panchayats to carry out successful decentralised fiscal governance.

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Fiscal decentralisation involves granting greater autonomy to local governments in terms of fiscal decision-making (Woller and Phillips 1998). In India, a three-tier governance system is currently in place, and fiscal powers are devolved among the three levels. Since local self-government institutions (LSGIs) were established much later, and the onus of devolution of powers was with state governments, the extent of fiscal autonomy and the socio-economic and developmental outcomes of the same over the past two decades have been very different across states (Besley et al 2007). In 2011, there were about 2.8 million representatives elected every five years into the three levels of panchayati raj institutions (PRIs) across the country, making India the most representative democracy in the world (Alok 2011).

Kerala has been highlighted as an example to study and emulate (Verón 2001), along with Porto Alegre in Brazil (Bardhan 2002) and Wenzhou in China (Tsai 2006), among others. In the context of more states opting for decentralised fiscal regimes (Bardhan 2002), it is important to understand the enablers of this success, and their replicability elsewhere, and the outcomes of decentralised fiscal practices. The aim of this study is to assess the enablers of fiscal decentralisation by looking into the performance of three gram (village) panchayats, in terms of fiscal discipline, plan formulation and implementation. It addresses the question, "What are the factors that enable successful fiscal practices at the local government level?" This will in turn shed light on the reasons why some village panchayats perform better than others, how fiscal decisions made at the grassroots level translate into socio-economic development, and how such differences can be perceived and compared. The enablers thus identified are then used to create a framework to assess the readiness of gram panchayats to carry out decentralised fiscal practices.

Review of Literature

The Indian Constitution, through Article 243G, elevates panchayats as institutions of rural self-government responsible for planning and implementing schemes for economic development and social justice (Alok 2011). In many states, village panchayats are the most active in taking up development initiatives, while intermediate and district level LSGIs carry out supervisory functions and act as executing agents of the state government (Alok 2011). The 73rd constitutional amendment gave state governments near-complete discretion in the devolution of funds, functions and functionaries to the local level (Isaac and Harilal 1997).

Existing Theoretical Frameworks

There exists sparse and widely differing literature on the measurement of fiscal decentralisation, its enablers and outcomes. Ezcurra and Rodríguez-Pose (2012) observe that decentralisation involves three components—political, administrative, and fiscal. Each component is to be observed in a larger context involving the other three, and hence, one cannot devise a universal tool to measure fiscal decentralisation. They also observe that most existing studies assessing either fiscal decentralisation or its outcomes use data on "fiscal decentralisation indicators" provided by the International Monetary Fund (IMF) and the Organisation for Economic Co-operation and Development (OECD). These include indicators like tax autonomy and revenue spending shares (OECD nd), deficit (as a share of own spending) and debt (as a share of own revenue) (IMF nd). As a result, the approaches are narrow—they do not assess enablers or take into account the lower tiers of the government and the sources of financial devolution. Hooghe, Marks and Schakel (2010) identify two components of the authority of local governments, which can be used for measurement and comparison—self-rule (how far the government has autonomy over its own territory) and shared rule (its involvement in decision-making concomitant to higher levels of governance). Within these elements, "fiscal autonomy" is one of the four subdivisions of self-rule.

While this measure encompasses a wide range of aspects, it still has many drawbacks—Ezcurra and Rodríguez-Pose (2012) observe that there is a grey area in the differentiation between decision-making authority and the authority to implement, and continues to rely on macro data. They also identify two more indices that employ a similar framework of thought as Hooghe et al (2008). A different approach can be found in John and Chathukulam (2003), where they build on the Vengroff–Ben Salem (VBS) model proposed by Vengroff and Ben Salem (1992), which expresses decentralisation as a function of three factors—scope, intensity and commitment (with an array of indicators under each factor), that is,

D = f (S, I, C)

John and Chathukulam (2003) incorporate three more factors—demand, effect on society and theory-practice congruity—into the VBS model to expand its scope:

D = f (S,I,C,D,E,T)

This approach extends the VBS model to incorporate some enablers of fiscal decentralisation. However, their usage of scores assigned by experts instead of actual field data while administering their index casts doubt on how accurately it reflects the situation on the ground.

There is a lack of research on fiscal decentralisation due to the absence of data from the grassroots and due to the sheer diversity of policies and practices by local governments (Ezcurra and Rodríguez-Pose 2012). Overall, measurement of the enablers and outcomes of fiscal decentralisation calls for a deeper understanding.

The questions to address while observing theoretical frameworks of fiscal decentralisation are: (i) Is, say, ₹1, spent at the local government level through a PRI more growth or development enhancing than the same amount spent at higher tiers of government? (ii) If yes, what are the fiscal practices and institutional mechanisms that enable this phenomenon, and what are the visible indicators of such an occurrence?

In the context of the first question, Martinez-Vazquez and McNab (2001) suggest (with reference to other works of research in the same field) that spending at the local level should be relatively more growth-enhancing due to improved need identification and the right prioritisation of projects by local governments (for example, prioritising spending on education and sanitation over defence, while the central government may not always take that stance). Decentred spending has been found to lead to both consumer or allocative efficiency and producer efficiency, although empirical evidence for either is weak (Martinez-Vazquez and McNab 2001).

However, Martinez-Vazquez and McNab (2001) suggest, "greater efficiency associated with fiscal decentralization is not directly accounted for in the conventional measures of output and economic growth," associated with national income accounts, since all spending, irrespective of their relative efficiency, productive power or social effects, is accounted for in the same way. An eventual improvement in the quality and quantity of local products and services, coupled with the enhanced human capabilities of citizens owing to their improved standard of living, manifest as measured growth in the long run (Martinez-Vazquez and McNab 2001). As for the institutional enablers, "regional level politics is certain to have, first and foremost, an impact on regional economic performance, which is then translated into aggregate country-level economic trajectories" (Ezcurra and Rodríguez-Pose 2012).

As pointed out by Martinez-Vazquez and McNab (2001), it should also be noted that "the theory of design of fiscal decentralization emphasizes a number of trade-offs between efficiency and other objectives such as balanced distribution of resources across regions or macroeconomic stability." Besides, there are multiple indirect effects of fiscal decentralisation on growth, working in both positive and negative directions, making the effect of the former over the latter very region-specific (Martinez-Vazquez and McNab 2001).

There are two more models of relevance, especially to the second question presented earlier. The Tiebout (1956) model suggests that scope for intergovernmental competition is created in a system where different local governments offer different bundles of public goods and services, and people reveal their preferences for such bundles by choosing to locate themselves in the region that satisfies their needs (voting by feet). But a local sector that responds to the revealed preferences of the public, such as the one envisioned by the Tiebout model, can be expected to emerge only in well-advanced stages of development (Oates 1993). Also, the assumptions required for this model are too stringent, especially for developing countries where population mobility is minimal and information asymmetry is high (Bardhan 2002).

Parker (1995) offers a "Souffle Model" of analysing the enablers and impacts of all aspects of decentralisation, by which the "right combination" of political, fiscal and institutional elements will lead to a successful programme of decentralisation. According to this model, decentralisation choices create immediate impacts and long-term rural development outcomes. Here, political, fiscal and institutional choices are enabling factors of successful decentralisation.

Bardhan (2002) observes that "holding-together federalism," such as the system we see in India, Belgium and Spain, often call for redistributive transfers that are necessary to keep diverse and contending polities together; such redistributive pressures within fiscal decentralisation often lead to state and local borrowing that may be large enough to cause problems of macroeconomic stabilisation. In most countries, elastic sources of tax revenue accrue to the union government, and there are geographical differences in the concentration of resource endowments and income, causing a built-in tendency towards fiscal imbalance (Bardhan 2002).

Fiscal Decentralisation in Kerala

The people's planning campaign (hereafter referred to as "the campaign"), introduced in 1996, sought to implement "planning from below"—a system of multi-level planning where "the lowest unit is allowed to plan and implement everything that can be performed most effectively at that level and only the residual is left to the higher level" (Isaac and Harilal 1997). It was successful in the creation of a uniform, representative, administrative structure below the state level (Isaac and Harilal 1997). The campaign aimed to train officials and non-officials to plan development projects at the local level, and harness the diverse expertise available at the locality, especially that of educated retirees (Isaac and Harilal 1997). Land taxes were deemed suitable for devolution to the local level, and provisions were made for local governments to borrow from the state government as well as from public financial institutions to cover deficits (Kannan 1993). Resource mapping surveys the collation of available secondary data at local level offices of various government departments, and the creation of a foundational panchayat development report were encouraged during the campaign (Isaac and Harilal 1997). Local governments in Kerala now have discretionary spending authority over 40% of the state's total revenue (Heller et al 2007).

In order to understand the outcomes of fiscal decentralisation in Kerala, one needs to understand the framework of fiscal practices at the local level. The local governments receive funds from three major sources—grants from the state government, the union government, and revenue collected by the LSGIs themselves (Sharma 2003). Each year, every LSGI prepares a plan envisioning new development projects and the allocation of resources for the same through discussions and consultations in ram sabhas, which is then sent to district-level committees for approval (Sharma 2003). The implementing officers of each LSGI are tasked with monitoring the usage of allocated funds and preventing financial misappropriation (Sharma 2003).

Together, these measures create a system of electoral accountability and public participation (Venugopal and Yilmaz 2009). What characterised fiscal decentralisation in Kerala is its success in expanding social opportunity through the process. Dréze and Sen (1997) point to this as an inevitable requirement for development. Identification of needs across different sectors through gram sabhas and participatory secondary data collection have had a direct positive impact on social capital formation in villages, which in turn has been found to have a positive effect on economic growth (John and Chathukulam 2002). The role of Kudumbashree in rural development through collaboration with local governments for the implementation of projects in areas like sanitation and food security is noteworthy (Arun et al 2011).

Several drawbacks of the fiscal decentralisation process have also been identified. In the early years of panchayati raj, productive investments were poor and were overtaken by short-term projects aimed at raising individual consumption (Sharma 2003). Today, all PRIs are required to spend a minimum of 40% of the general sector grant on productive investments. Political opportunism and the overwhelming presence of larger political factions in local bodies have threatened equitable distribution of the benefits of local development (Besley et al 2007). While expenditure decentralisation has progressed considerably, the same advancement has not occurred in revenue mobilisation in Kerala (Venugopal and Yilmaz 2009).

Enablers of Fiscal Decentralisation

Investigations into the reasons behind Kerala's decentralisation success are few and far between. Nevertheless, they provide a good starting point.

Kerala's history of mass movements, land reforms, pervasive public politics, pluralistic communal structure, absence of rural–urban dichotomy, and the resultant governmental commitment to investing in a range of social services, including education, healthcare and nutrition, have been cited by Tsai (2006) as reasons behind the success of its participatory democracy. Therefore, he states that its success is not replicable in other parts of the world because of its dependence on "specific circumstances" that are unlikely to be found elsewhere. It has been observed that in some cases, individual initiatives of panchayat presidents or elected representatives made all the difference in local development in Kerala—they crossed political and social barriers to initiate projects that would create assets and would induce long-term socio-economic benefits (Ghatak and Ghatak 2002). Civil society organisations like the Kerala Sasthra Sahithya Parishad (KSSP) played a key role in popularising the campaign and mobilising local level expertise in implementing it; women's collectives, most importantly Kudumbashree, was pivotal in organising neighbourhood groups and encouraging participation in local development planning (Heller et al 2007).

Comparing fiscal decentralisation in Kerala and West Bengal, Ghatak and Ghatak (2002) observe that the relative success of the former compared to the latter is partly explained by the real devolution of fiscal agency away from the bureaucrats and towards local elected representatives, and the active participation of citizens in local planning. The more well-off local areas favour increased fiscal discretion and a laissez-faire approach to fiscal governance, whereas the less well-off areas opt for a redistributive system based on a "guaranteed revenue flow" (Bahl 1999). The commitment of certain political parties and coalitions towards decentralisation of power has also been cited as an enabler: "Indeed, redistributing power and resources away from the state government, where the hold of [the ruling coalition] is uncertain, to the local government can be viewed as a rational political move" (Ghatak and Ghatak 2002).

Heller et al (2007) carried out an extensive survey of 72 randomly selected gram panchayats in Kerala to examine the reasons behind successful decentralisation practices in the state and identified many key reasons, such as the prudent devolution of funds and mandatory minimum expenditures on projects aimed at the development of specific sections of the society. Besides, "to strengthen the PRIs, it is important to give them fiscal autonomy by reducing the share of grants in the total receipts and by increasing the share of revenue through their own collection" (Panth and Bohra 1995). Avoiding heavy reliance on grants, creating participatory decision-making systems, and selecting "good local taxes" to devolve to local governments, have been found to enhance the success of fiscal decentralisation (Oates 1993). Bird (1986) identifies two characteristics of a good local tax—the absence of distorting effects on the movement of goods and activity and being "tied" to benefits so as to provide the right cost signals for local fiscal decisions.

It has also been observed that successful decentralisation requires the establishment of a legal framework that defines institutions, their constitution, functions, sanctions and how they are related to each other (Parker 1995). Complicated grant allocation formulae, conditional grants that require monitoring of funds, and expenditure mandates that have compliance requirements, are causes of inefficiency in a decentralised fiscal regime (Bahl 1999). The capacity to carry out decentralised fiscal governance does not necessarily increase with jurisdictional size (Parker 1995).

Methodology

This is an exploratory and evaluative study. We qualitatively analyse primary data collected from three gram panchayats in Kerala. The state of Kerala has been chosen for the study due to its internationally lauded success (Sharma 2003) in decentralisation and its well-defined institutional system of local governance. Within the state, three gram panchayats from the Malappuram district have been chosen as the areas of focus. Malappuram was chosen because it is the most populous district in the state, is the third-largest contributor to the state gross domestic product, and is the most cyber-literate district (State Planning Board, India 2017) making digitised data easily accessible.

A purposive sampling technique has been employed to select gram panchayats from within the district in order to ensure that both "good" performers and "emerging" performers are chosen, making it as representative as possible of the gram panchayats in the state that follow successful fiscal practices. The assessment of the gram panchayats' performance used to make this choice, is carried out on the basis of information on the performance of gram panchayats as reported by the panchayat level statistics published by the state government (Department of Economics and Statistics 2011).

Based on the themes and areas of investigation that emerged from the review of literature, an interview schedule was prepared. Semi-structured interviews have been conducted with the following persons from each of the three chosen gram panchayats (Table 1).

The focus of data collection has been on the fiscal activities of the gram panchayats during the time period between 2015 and 2020 when the previous governance committee completed its tenure. In addition, the annual implementing officer-wise expenditure reports of all three gram panchayats have been collected, and information relevant to the areas of investigation from these documents have also been analysed. Wherever available, plan documents (prepared at the onset of the financial year, outlining all proposed development activities and their detailed implementation plans for the gram panchayats)—for annual plans (FY 2019–20) or five-year plans (2017–22)—of the gram panchayats have been collected and analysed. The state government's guidelines for local governments on disaster mitigation and the elected representative's handbooks on participatory governance, development planning, and good governance published by the Kerala Institute of Local Administration (KILA) were also studied.

The transcribed interviews were coded according to the areas of investigation and thematically analysed.

From the findings of the study, six key enablers of fiscal decentralisation have been identified. These are the factors that have readied each of the gram panchayats studied to carry out successful fiscal decentralisation practices. Although the degree of success may vary across the three am panchayat, each of these enablers was present to some extent in all gram panchayats. They give some insights into what am panchayat ought to be equipped with to take prudent decisions on budgeting and planning for local development. The ways in which these factors enable decentralised fiscal practices are given below. The literature showed that Kerala's sociopolitical environment may be a determinant of these factors (Tsai 2006). While the inherent sociopolitical factors always have some level of influence, this study found no evidence that links these enablers directly to particular features of Kerala's economy or society. This implies that the model of decentralised fiscal governance in Kerala, including its enablers, have a fair chance of being replicable in other regions as well.

Enabler 1—Public Participation: A majority (31/37) of interviewees reported a decrease in public participation through gram sabhas over the 25 years since the initiation of participatory planning. However, this is because the steady improvement in public service delivery over the decades has reduced the needs and complaints of the public, thereby

Table 1: Personnel Interviewed for the Study

Elected representatives (2015–16 to 2019–20)	(1) President of the gram panchayat, (2) Chairpersons of three panchayat committees (including vice president), (3) One ward representative from a political party that is not in power in the panchayat.
Officials (appointed by the state government)	(1) Panchayat secretary/assistant secretary, (2) Plan clerk, (3) Head accountant, (4) Two implementation officers—Village extension officer/veterinary surgeon/integrated child development services (ICDS) supervisor/community development society (CDS under Kudumbashree) chairperson.
Civil Society members	Two citizens associated with working groups/development seminars in the past from each panchayat.

eliminating an incentive for them to participate in the planning process. Most interviewees reported that only potential beneficiaries or citizens with specific requests tend to participate in gram sabhas. However, the minimum frequency of gram sabhas—one in three months per ward—is enforced by state government guidelines. Establishing the 10% quorum of participation is reported to be a challenge for elected representatives. The role of elected representatives in mobilising participation in their respective wards is also evident from the findings, supporting the observation of Ghatak and Ghatak (2002) seen in literature, that active initiatives by elected representatives are important in project innovation and efficient expenditure of funds. Apart from gram sabhas, working groups, development seminars, and beneficiary committees are other platforms available for citizens.

Although gram sabhas are the most important avenue for public participation, citizens can submit written requests to their elected representatives to be added to beneficiary lists or to make suggestions on development projects. There are also informal channels by which public opinion reaches the panchayat governance committee. Officials sometimes make suggestions from their experience or based on conversations with citizens, political forums, and informal interactions between those directly involved in local governance (members of working groups, development committees) and the public also influences the decision making. All projects pass through the gram sabha at multiple stages—formulation, beneficiary selection and auditing—in a financial year.

Enabler 2—Infrastructure and guidelines for governance: The respondents were mostly of the opinion that information technology (IT) tools developed by the Information Kerala Mission have made revenue collection, accounting and planning more accurate, transparent and easy than before in all three gram panchayats. The institutional framework (plan guidelines, instructions and legislations) has occasionally posed technical barriers to the access of benefits by the deserving. However, it has streamlined the planning process by giving a template for all LSGIs to follow. This has helped funds and efforts reach all areas of development in the regions studied. Decentralised planning is overwhelmingly cited as a better path to public services provision and socio-economic development by the interviewees. All the three gram panchayat have attained International Organization for Standardization (ISO) certification for their service provision, and the quality of tangible infrastructure in the gram panchayats offices and ease of access to the public have also been cited by interviewees as causes of improvement in planning over the years. These findings support Parker's (1995) finding that the institutional framework within which local governments are placed influences the success of decentralised fiscal governance.

Enabler 3—Knowledge transfer and capacity building: All elected representatives and officials receive annual training at the Kerala Institute of Local Administration (KILA). Interviewees noted the important role training has played in making the planning process more efficient. Knowledge transfer among the officials, especially from experienced officials to novices, is also an informal channel of training. It can be seen that there is an element of friendly competition among the gram panchayats and the teams that run them, including elected representatives, officials and civil society leaders. Every interviewee was aware of the activities of the other gram panchayats in the region and compared their own progress with that of others. They were also not hesitant to point out how their gram panchayat fell behind in certain aspects compared to others. All gram panchayats in the state form a strong network and the annual events and awards organised by the state government for them act as an incentive for gram panchayat to innovate new projects and improve development planning.

It was also seen that am panchayat harness the knowledge, skills and expertise of organisations such as Kudumbashree in implementing their projects. This observation supports the statement by Heller et al (2007) that civil society organisations and non-governmental organisations are crucial in local governance. We see that the role of this cooperation and transfer of skills and knowledge extends to successful fiscal governance as well.

Enabler 4—Optimum fiscal autonomy: Gram panchayat with a larger population, better access to markets, and higher commercial activity tend to earn more "own revenue" than others. Since the allocation and expenditure of own funds are completely left to the discretion of each panchayat, larger panchayats have more fiscal space to innovate new projects and expand their beneficiary base. This finding supports the observation that devolution of taxation must not be completely offset by a grants-in-aid system, as seen in the literature reviewed (Panth and Bohra 1995; Oates 1993). Laws and guidelines by the state government restrict the role of the private sector in local economic development. For instance, panchayats can procure credit lines and loans from public financial institutions only. Therefore, all three panchayats have implemented measures such as door-to-door campaigns, and ward-wise "revenue camps" to maximise revenue collection.

While the funds from higher levels of government come with strict conditions, it was observed that such conditions were accepted as the norm. The gram panchayat officials felt that there is useful and abundant flexibility in expenditure and project choices for panchayats. In fact, the hard fiscal constraints imposed by the government were considered good for fiscal discipline. If any panchayat ideates an innovative project that requires funds, agencies or skills beyond what is available to them, they have a

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available at

Siddhivinayak Enterprises
B-006, Antophill Warehousing
Wadala East
Mumbai 400 037

fair chance at seeking assistance. The proposal submitted by the gram panchayat for extra funds are often considered and approved by the state government. This opportunity has been utilised by two out of the three panchayats studied.

Enabler 5—Local networks: All three panchayats were able to put together effective crisis responses during the 2018 and 2019 floods, and the COVID-19 pandemic. By coordinating with a variety of local and regional stakeholders, the LSGIs set up community kitchens, kept supply chains active for essential commodities like medicines, organised safe departure for guest workers from other states, and set up quarantine centres at short notice. During the floods, LSGIs spearheaded relief efforts. The elected representatives played a crucial role in this effort, acting as the point of contact and coordination for all activities. The state government has recognised the potential of LSGIs in disaster mitigation and crisis response and has prepared guidelines and action plans to assist them in the same at the local level.

Thus, the success of fiscal decentralisation in these gram panchayat owes a lot to a factor that has hitherto not been given much attention—local networks. Strong interconnectedness between elected representatives, civil society organisations, civic leaders, local businesspersons and the expatriate community has enabled all three panchayats to initiate projects that require funds and resources beyond what is available to the LSGIs and to provide quick disaster response during the floods, the Nipah epidemic and the COVID-19 pandemic. Such networks are often informal and have underlying community-related or familial factors. There is an established flow of information and resources through these. Their role is crucial even in the implementation of large projects, such as the family health centre in Moorkanad gram panchayat. Interestingly, political influence was not found to be significantly prevalent, or to have a distortionary effect on fiscal efficiency, contrary to the observations of Ghatak and Ghatak (2002).

Table 3: Framework to Assess the Readiness of Gram Panchayats to Carry Out Successful Decentralised Fiscal Governance—Questions of Assessment

Element of Framework/Enabler		Constituent Questions of Assessment
1 Public participation	a	Does the gram panchayat conduct gram sabhas at prescribed frequency?
	b	What are the participation rates in gram sabhas?
	c	Are other avenues for public participation active?
2 Infrastructure and guidelines for governance	a	Is the gram panchayat functioning in accordance with the fiscal guidelines of the state government?
	b	Is the gram panchayat ISO certified?
	c	Is the gram panchayat fully digitised?
	d	What is the public perception of the quality of service delivery by the gram panchayat?
3 Knowledge transfer and capacity building	a	Have all officials at the gram panchayat received annual training?
	b	Do experienced officials/coach novice officials?
	c	Does the gram panchayat maintain connections with neighbouring gram panchayats (information and resource coordination)?
4 Optimum fiscal autonomy	a	Has the gram panchayat's own revenue increased over the years?
	b	Does the gram panchayat achieve 100% revenue collection annually?
	c	Has the gram panchayat utilised the state government's special provisions to undertake large-scale projects?
5 Local networks	a	Is interconnectedness among social, political and economic groups visible in the locality?
	b	Are such networks used to mobilise resources and transmit information?
6 State government as a facilitator	a	Do elected representatives and officials have a clear understanding of the participatory planning system?
	b	Does the gram panchayat follow all plan guidelines set by the state government?

Source: Computed by the authors; Hooghe et al (2008).

Table 2: A Comparative and Indicative Assessment of the Identified Enablers in the Three Gram Panchayats Studied

Enabler		Constituent Elements	Scores from Comparison		
			PML	ELM	MKD
1 Public participation	a	Gram sabhas	3	3	3
	b	Other avenues			
	c	Informal networks			
2 Infrastructure and guidelines for governance	a	Adherence to state government's instructions on fiscal governance	3	2	3
	b	Digitisation of services			
	c	Quality of service delivery and infrastructure at gram panchayat			
3 Knowledge transfer and capacity building	a	Training of officials and elected representatives	3	3	3
	b	Knowledge transfer among officials and elected representatives			
	c	Competitiveness among gram panchayats			
4 Optimum fiscal autonomy	a	Growing own revenue sources, and efficient revenue collection	3	2	2
	b	Adherence to the state government's fiscal constraints			
	c	Utilising the space and provisions for fiscal flexibility			
5 Local networks	a	Presence of strong interconnectedness among all stakeholders	3	3	3
	b	Flow of information and resources through these networks			
6 The state government as a facilitator	a	A clear understanding of the state government's framework of development planning, on the side of the LSGI team	3	3	3
	b	Adherence to state government's guidelines for development planning			
Total score			18/18	16/18	17/18

Here, PML stands for Pulamanthole gram panchayat, ELM for Elamkulam gram panchayat, and MKD for Moorkanad gram panchayat.

Enabler 6—The state government as a facilitator: Ideally, there should be no deficit or surplus in the government's expenditure. The state government has formulated policies that act as scaffolding measures to ensure that a deficit or surplus in the local government's expenditure is less likely.

(i) Funds are devolved to LSGIs in three to four phases every year; to receive the

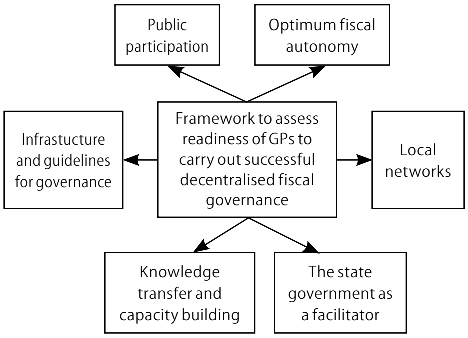
funds allotted in one phase, the gram panchayat has to fully utilise those provided in the previous phase. This ensures that there are no surpluses.
(ii) The district planning committee (DPC) actively discourages spillover projects; in the event that a gram panchayat has a spillover project in the plan it submits for approval, it is not granted any additional funds to complete it.
(iii) The DPC gives their nod for a project only if they are convinced that the gram panchayat has obtained the necessary financial resources to implement it.

Training and workshops provided by the state governments and institutions set up by it (such as KILA) enabled all the elected representatives and officials interviewed to have a clear understanding of the structure of funds received by the gram panchayat and the process of decentralised planning. Most interviewees were of the opinion that the plan guidelines and operating procedures instituted by the state government helped to ensure that development projects were not confined to a few areas (such as infrastructure, where tangible results can be seen in a short time). According to them, these guidelines encouraged holistic long-term projects. However, a few interviewees felt that the guidelines restricted fiscal autonomy at the local level. In addition, most interviewees reflected positively on the role of institutional support provided by the government (such as the Information Kerala Mission's IT tools) in enabling planning and budgeting in gram panchayat.

Enablers in Gram Panchayats

In order to apply the knowledge on enablers gained, an attempt has been made to assign indicative scores to each of the three gram panchayat based on the presence and effectiveness of the six enablers identified. Table 2 (p 22) lists the enablers, their key constituent elements, and assigns comparative scores to each gram panchayat for each enabler. This scoring is indicative and is based on the researchers' evaluation. A score of 3 indicates complete readiness, 2 indicates partial readiness, and 1 indicates an absence or severe insufficiency in readiness for the given enabler.

Figure 1: Framework to Assess the Readiness of Gram Panchayats to Carry Out Successful Decentralised Fiscal Governance



Readiness of Gram Panchayats

On the basis of the enablers of successful fiscal practices identified, a broad theoretical framework to assess the readiness of gram panchayat to carry out decentralised fiscal governance has been prepared. The enablers are illustrated in Figure 1.

Under each enabler, there are some broad questions to investigate for every gram panchayat. These questions are presented in Table 3 (p 22).

These questions provide a basis for assessing the readiness of successful fiscal governance in gram panchayat, and can be extended to LSGIs as well. An affirmative response/observation for each question indicates increased readiness. Since many of these elements (especially the strength and pervasiveness of the local networks) cannot be quantified, it is necessary to devise novel methods to generate comparable values for gram panchayat, which create "degrees" of measurement for each enabler and its constituent questions. Nevertheless, this framework is a step in bridging the research gap on the factors that initiate and strengthen decentralised fiscal governance.

Conclusions

From this case study, it was found that the nature, organisation and efficiency of public participation, along with the conditional allocation of resources create an optimum system for gram panchayats to carry out fiscal governance. It can be seen that maximum fiscal autonomy need not always guarantee better development planning by LSGIs. On the contrary, a well-structured institutional framework, training, monitoring and hard budget constraints put in place by the state government can facilitate efficient fiscal practices in gram panchayat. The role of local informal networks in enabling successful fiscal decentralisation by transacting information, mobilising resources and ensuring accountability and transparency was also revealed in the study. The study looked at the development planning and fiscal governance processes in the three gram panchayat over the course of five financial years between 2015 and 2020, and used observations on consistency, effectiveness and influential factors to arrive at the results.

Including the factors discussed above, a set of six key enablers were identified. They are public participation, infrastructure and guidelines for governance, knowledge transfer and capacity building, optimum fiscal autonomy, local networks, and the state government as a facilitator. They indicate what enables gram panchayats to carry out self-governance

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in fiscal matters. Based on these enablers, an analytical framework for assessing the readiness of gram panchayats in carrying out decentralised fiscal governance was prepared. The framework poses a set of questions under each enabler, which indicate the preparedness of the LSGI in implementing successful fiscal governance practices. This assessment will help understand whether a region or a particular LSGI is ready to manage its own fiscal affairs, provided the necessary resources are devolved.

The assessment framework provided in this study is an outline of the questions researchers can explore to understand whether local government institutions are ready to successfully implement fiscal governance. As regimes across the world become more decentralised, lessons from each region add to the knowledge of broad patterns that emerge in its success, and the factors that lead to this success.

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